

**FILED**07/19/18  
02:22 PM**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

July 19, 2018

Agenda ID #16698  
Ratesetting**TO PARTIES OF RECORD IN APPLICATION 17-08-016:**

This is the proposed decision of Administrative Law Judge Karl J. Bemesderfer. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 23, 2018 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ MICHELLE COOKE for  
Anne E. Simon  
Chief Administrative Law Judge

AES:lil

Attachment

Decision **PROPOSED DECISION OF ALJ BEMESDERFER** (Mailed 7/19/2018)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PACIFICORP  
(U901E) for an Expedited Order Authorizing Special  
Charges and Tariffs for Smart Meter Opt-Out and  
Privacy/Data Release Programs Related to Advanced  
Metering Infrastructure Deployment.

Application 17-08-016

**DECISION ESTABLISHING OPT-OUT RATES AND PROCEDURES IN  
CONNECTION WITH ADVANCED METERING  
INFRASTRUCTURE DEPLOYMENT**

## Table of Contents

<u>Title</u>	<u>Page</u>
DECISION ESTABLISHING OPT-OUT RATES AND PROCEDURES IN CONNECTION WITH ADVANCED METERING INFRASTRUCTURE DEPLOYMENT .....	1
Summary .....	2
1. Background.....	2
2. Discussion.....	4
2.1. Are PacifiCorp’s proposed initial and monthly opt-out fees for CARE and non-CARE customers reasonable? .....	4
2.2. Should PacifiCorp’s monthly opt-out fees be subject to a sunset provision? ....	6
2.3. Should non-residential customers be included in the Smart Meter opt-out program? .....	7
3. Comments on Proposed Decision.....	8
4. Assignment of Proceeding.....	8
Findings of Fact.....	8
Conclusions of Law.....	9
ORDER .....	9

**DECISION ESTABLISHING OPT-OUT RATES  
AND PROCEDURES IN CONNECTION WITH ADVANCED  
METERING INFRASTRUCTURE DEPLOYMENT**

**Summary**

This decision establishes Smart Meter opt-out rates for PacifiCorp's California Alternative Rates for Energy (CARE) and non-CARE customers, including initial opt-out fees and recurring monthly charges for manual meter readings, and authorizes PacifiCorp to extend its opt-out program to limited non-residential customers.

**1. Background**

On August 10, 2017, Applicant PacifiCorp (Applicant or PacifiCorp) filed an application for an expedited order authorizing it to institute a set of special charges and tariffs that would apply to those of its customers who chose to opt out of Applicant's roll-out of so-called "Smart Meter" technology. Smart Meters enable a utility to remotely monitor customer usage of electricity without the necessity of sending a meter reader to the property to take a visual reading of the customer meter. PacifiCorp alleges in the application that it incurs substantial additional cost in connection with serving those customers who choose not to have their old meters replaced with Smart Meters, mainly the labor cost associated with having a meter reader drive to the property and take a visual reading of the customer meter. To cover those costs, PacifiCorp proposes the following schedule of charges for opting out of the Smart Meter program: an initial Smart Meter removal fee of \$75.00 and a monthly meter reading fee of \$20.00, with a 20 percent discount on both the initial Smart Meter removal fee and the monthly meter reading fee available to PacifiCorp's customers who are income-eligible under PacifiCorp's California Alternative Rates for Energy (CARE) program. The monthly fee would continue for as long as the customer obtained electric service from PacifiCorp.

On September 29, 2017, the Application was formally protested by the Commission's Office of Ratepayer Advocates (ORA). The ORA protest was supported by the Testimony of Brian Goldman, served on April 6, 2018 and a corrected version of his Testimony served on May 18, 2016, together with an unopposed motion for its

admission. Opening and Rebuttal Testimony of Melissa S. Nottingham on behalf of PacifiCorp was served in mid-April. On May 23, 2018, PacifiCorp filed an unopposed motion for its admission.

On February 26, 2018, a prehearing conference (PHC) was held. At the PHC, the parties agreed to enter settlement discussions and they requested a second PHC to allow additional time to complete settlement discussions. A second PHC was held on March 14, 2018. At the second PHC, the parties indicated that they no longer disputed PacifiCorp's proposed customer privacy and data release policies<sup>1</sup> but were continuing to discuss settlement of the remaining issues. After the parties failed to reach agreement on the remaining issues, the assigned Commissioner issued a Scoping Memo on March 29, 2018. The Scoping Memo provided that evidentiary hearings would not be held unless a party requested hearings before the end of April. No party made a request for hearings and the matter was adjudicated on the basis of the served testimony.

The Scoping Memo addressed four basic issues:

- a. Are PacifiCorp's proposed \$75.00 initial Smart Meter removal fee and \$20.00 monthly meter reading fee for non-CARE customers reasonable?
- b. Is PacifiCorp's proposed 20% discount on the initial Smart Meter removal fee and the monthly meter reading fee for CARE customers reasonable?
- c. Should PacifiCorp's monthly meter reading fees be subject to a sunset provision?
- d. Should non-residential customers be included in the Opt-Out Program?

---

<sup>1</sup> These policies are contained in a proposed Tariff Rule 27 which PacifiCorp included as an exhibit to the Application. The proposed Tariff Rule incorporates the privacy protections mandated by the Commission in Decision (D.) 11-07-056, modified to reflect differences between smaller utilities such as PacifiCorp and the large investor owned utilities. Such modifications were contemplated by the Commission in D.11-07-056. Consequently, we will approve proposed Tariff Rule 27 in the ordering paragraphs of this decision.

## 2. Discussion

### 2.1. Are PacifiCorp's proposed initial and monthly opt-out fees for CARE and non-CARE customers reasonable?

ORA does not object to the concept of charging an opt-out fee to customers who decline Smart Meters, nor does it object to a monthly fee to cover at least a portion of the cost of manually reading the meters of such customers. It objects solely to the size of the proposed fees. In support of this position, ORA argues that the fees proposed by PacifiCorp are substantially greater than those we approved for California's large Investor-Owned Utilities (large IOUs) in connection with their Smart Meter roll-outs and proposes that we require PacifiCorp to impose similar fees on their opt-out customers.

In taking this position, ORA chooses to ignore the significant differences between PacifiCorp and the large IOUs. PacifiCorp has 45,000 customers spread over 4 large counties in northern California covering 11,292 square miles, resulting in an average density of 4 customers per square mile, compared with 77 customers per square mile for Pacific Gas and Electric Company, 300 customers per square mile for Southern California Edison Company and 341 customers per square mile for San Diego Gas & Electric Company.<sup>2</sup> In addition, much of PacifiCorp's California service territory is in mountainous areas where customers are served by secondary and tertiary roads.<sup>3</sup> Under the best of circumstances, the cost of manually reading meters that are difficult to access and spread out over a large service territory is inevitably going to be greater than the cost of reading meters that are more densely configured.

Applicant and ORA disagree on what that per-manual-reading cost is. Applicant claims a cost per manual reading of \$41.40 while ORA estimates that cost to be \$21.35. It is telling that even ORA's estimate exceeds the requested \$20.00 maximum monthly

---

<sup>2</sup> Nottingham Rebuttal Testimony, p. 3.

<sup>3</sup> *Ibid.* p. 4.

fee proposed by PacifiCorp. ORA calculated its estimated cost by dividing the total cost of all manual readings over a five-year period by the total number of meters read during that period.<sup>4</sup> While ORA suggests that a *post-hoc* calculation based on actual costs of providing manual meter readings to customers who elect to opt out would be more accurate than its overall retrospective average, we find it difficult to believe that the actual cost thus calculated would be significantly less than the overall average cost calculated by ORA and might, in fact, be substantially higher. In other words, the \$10.00 monthly fee proposed by ORA for manual meter readings is likely to be somewhere between \$10.00 and \$30.00 less than their actual cost. That differential, whatever it is, would be borne by the balance of PacifiCorp's customers who do not opt out.

While there is a strong case to be made for subsidizing services to customers in remote areas so that, for example, they are not left out of the benefits of modern telecommunications technology simply by being costly to serve, that rationale does not apply in this case. Customers who choose to opt out of smart metering are rejecting modern technology and passing the unsubsidized cost of their choice onto the remaining ratepayers. In the case of customers who qualify for the CARE program, PacifiCorp's proposed monthly fee of \$16.00 already includes a 20% subsidy compared to the opt-out fees proposed for non-CARE customers and, for the reasons outlined above, probably includes a subsidy of more than 20% relative to PacifiCorp's actual cost to serve. We find that PacifiCorp's proposed monthly opt-out fees of \$20.00 for non-CARE customers and \$16.00 for CARE customers are reasonable and should be approved.

With respect to PacifiCorp's proposed Smart Meter removal fees of \$75.00 for those non-CARE customers who choose to opt out and \$60.00 for CARE customers who do so, a somewhat different analysis is required. If the opt-out option is made available simultaneously with the roll out of the advanced metering infrastructure, as PacifiCorp proposes to do, then customers who currently have manually read meters can elect not to

---

<sup>4</sup> Corrected Testimony of Brian Goldman pp. 2-3.

accept a Smart Meter and that election eliminates the need to pay the Smart Meter removal fee, though it does trigger the monthly fee. Conversely, if a customer initially accepts a Smart Meter and later changes that decision, PacifiCorp must remove the Smart Meter and replace it with a manual meter, at a cost which its expert estimates to be \$272.49.<sup>5</sup> Thus, for CARE customers who accept a Smart Meter and later change their minds, PacifiCorp's proposed Smart Meter removal fee of \$60 represents a subsidy of almost 80% of the estimated cost of their decision. For non-CARE customers who change their minds, the subsidy is approximately 72%. Again, we emphasize that these are anti-technology choices the cost of which is being passed on to the rest of the ratepayers. ORA's proposal to increase these subsidies still further, so that they are in line with opt-out fees approved for the large IOUs, simply ignores the significant density difference between PacifiCorp's service territory and that of the large IOUs and the associated greater costs of removing previously installed Smart Meters.<sup>6</sup> Accordingly, we find that PacifiCorp's proposed Smart Meter removal fees of \$60.00 for CARE customers and \$75.00 for non-CARE customers are reasonable.

## **2.2. Should PacifiCorp's monthly opt-out fees be subject to a sunset provision?**

In analyzing this question, it should be kept in mind that sunset provisions are most appropriate when the initial cost of an asset is being recovered over time through periodic charges. While this is a principle that is often ignored in practice, we should be alert not to ignore instances when it should be applied. In this case, the monthly charges are partially offsetting the actual ongoing cost of providing a service, rather than amortizing an initial investment. As a result, a sunset provision does not represent a determination that initial costs have been recovered but rather a determination that certain

---

<sup>5</sup> Nottingham Rebuttal p. 11.

<sup>6</sup> While the time required by PacifiCorp to remove an individual smart meter may be similar to the time required to do so by one of the large IOUs, PacifiCorp's cost of removing an individual smart meter includes the time and expense of getting to and from the meter's location which, as the above calculation demonstrates, is far greater for PacifiCorp than for any of the large IOUs.



costs of service that are already partially subsidized should be fully subsidized after the passage of a designated period. Rather than having the customers who accepted Smart Meters subsidize a portion of the cost of providing monthly meter readings to the customers who declined Smart Meters, a sunset provision passes the entire cost of doing so onto the entire customer base in the form of higher rates.

ORA does not challenge this analysis; rather ORA argues that it is appropriate to fully subsidize these costs. But for What reason? What public benefit results from fully subsidizing the costs of a Smart Meter opt out? More to the specific point of this question, what public benefit results from moving from partially subsidizing the costs of the choice to fully subsidizing them? We see none, and therefore we find that the monthly fees proposed by PacifiCorp should not be subject to a sunset provision.

### **2.3. Should non-residential customers be included in the Smart Meter opt-out program?**

PacifiCorp argues in support of including non-residential customers in its opt-out program arguing that customers who don't want a Smart Meter on their houses probably don't want one near their houses on premises also owned by those customers.

PacifiCorp's expert estimates that of the approximately 10,000 non-residential meters in its California service territory, 472 are located on outbuildings like garages, barns, shops, and wellheads adjacent to a residence.<sup>7</sup> It is this group that PacifiCorp believes would be most likely to utilize a Smart Meter opt-out for their non-residential meters. PacifiCorp believe that the majority, if not the entirety of the remaining non-residential customers, will welcome Smart Meters because of their potential to permit more efficient management of energy costs through real-time feedback and the ability to measure the effectiveness of alternative energy saving measures.<sup>8</sup>

We agree in part with PacifiCorp. Given our interest in ensuring that the majority of non-residential customers install smart meters, we do not find it reasonable to allow all

---

<sup>7</sup> Nottingham rebuttal, p. 14.

<sup>8</sup> *Ibid.*

non-residential customers to opt-out of smart meters. However, we are persuaded that it is reasonable to allow non-residential customers to opt-out if the non-residential meters are located on outbuildings adjacent to residences or in portions of residences dedicated to commercial use.

### **3. Comments on Proposed Decision**

The proposed decision of ALJ Bemesderfer in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

### **4. Assignment of Proceeding**

Liane M. Randolph is the assigned commissioner and Karl J. Bemesderfer is the assigned ALJ to the proceeding.

### **Findings of Fact**

1. PacifiCorp serves approximately 45,000 customers in a service territory of 11,292 square miles.
2. PacifiCorp's service territory has an average density of 4 customers per square mile.
3. Pacific Gas and Electric Company has an average density of 77 customers per square mile.
4. Southern California Edison Company has an average density of 300 customers per square mile.
5. San Diego Gas & Electric Company has an average density of 341 customers per square mile.
6. PacifiCorp's estimated cost to manually read an individual customer meter is between \$21.45 per reading and \$41.40 per reading.
7. PacifiCorp's estimates that its cost to remove a Smart Meter and replace it with a manually-read meter is \$272.49.

8. Approximately 472 of PacifiCorp's residential customers also have separate meters on facilities located close to their residences.

9. PacifiCorp's proposed customer privacy and data release policies, codified in proposed Tariff Rule 27, are unopposed.

### **Conclusions of Law**

1. PacifiCorp's proposed Smart Meter removal fees of \$75.00 for non-CARE customers and \$60.00 for CARE customers are reasonable and should be approved.

2. PacifiCorp's proposed per-visit meter reading fees of \$16.00 for CARE customers and \$20.00 for non-CARE customers are reasonable and should be approved.

3. PacifiCorp should offer the Smart Meter opt-out option at the same time as it begins converting conventional meters to Smart Meters.

4. Non-residential customers should only be offered the Smart Meter opt-out option at the same time as it is offered to residential customers if they have both residential and non-residential accounts associated with meters on a single premise or on directly adjacent premises.

5. PacifiCorp's proposed customer privacy and data release policies are reasonable and should be approved.

6. Unopposed testimony should be admitted into the evidentiary record of this proceeding.

### **O R D E R**

1. PacifiCorp is authorized to charge initial fees of \$75.00 for non-California Alternative Rates for Energy (CARE) customers and \$60.00 for CARE customers for removal of a previously installed Smart Meter.

2. PacifiCorp is authorized to charge monthly meter reading fees of \$20.00 for non-California Alternative Rates for Energy (CARE) customers and \$16.00 for CARE customers who opt out of the Smart Meter program.

3. PacifiCorp shall offer the opt-out option to its existing customers at the same time as it begins deployment of Smart Meters.

4. PacifiCorp is authorized to offer the opt-out option to non-residential customers that have both residential and non-residential accounts associated with meters on a single premise or on directly adjacent premises.

5. PacifiCorp's proposed customer privacy and data release policies, codified in proposed Tariff Rule 27 included as an exhibit to the Application, are approved.

6. The corrected testimony of Brian Goldman on behalf of the Office of Ratepayer Advocates is admitted into evidence.

7. The Opening and Rebuttal testimony of Melissa S. Nottingham on behalf of PacifiCorp is admitted into evidence.

8. Evidentiary hearings are not necessary.

9. Application 17-08-016 is closed.

This order is effective immediately.

Dated \_\_\_\_\_, at San Francisco, California.